
Lehman Brothers UK Holdings Limited – In Administration

Joint Administrators' progress
report for the period 29 September
2016 to 28 March 2017

26 April 2017

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Section 1 Purpose of the Joint Administrators' progress report

Introduction

This is the 17th progress report by the Joint Administrators (the "Administrators") of Lehman Brothers UK Holdings Limited ("LBUKH" or the "Company").

This report provides an update on the work the Administrators have undertaken and the progress made since their appointment, with particular focus on the progress made in the six months to 28 March 2017 (the "reporting period").

Objective of the Administration

The Administrators have pursued the objective of achieving a better result for LBUKH's creditors as a whole, than would be likely if the Company were wound up (without first being in Administration).

The specific aim of this Administration has been to protect and control any return on the Company's investments in subsidiaries and intercompany book debts for the benefit of creditors.

The Administrators now consider that the objective of the Administration has been achieved and so, as explained in Section 2, steps are being taken to bring the Administration to an end.

Outcome for creditors

On 2 May 2014, the Court granted the Administrators permission to make distributions to LBUKH's ordinary unsecured non-preferential creditors.

(i) Ordinary unsecured non-preferential creditors

On 4 September 2014, the Administrators distributed 100 pence in the £ to LBUKH's unsecured creditors in full and final settlement of their claims. Creditors have waived their right to receive future distributions.

(ii) Subordinated creditor

In the reporting period, the sole subordinated creditor Lehman Brothers Luxembourg Investments S.a.r.l. ("LBLIS") assigned its admitted

claim to Lehman Brothers UK Holdings (Delaware) Inc. ("Delaware"). See Section 2 for more details.

On 8 February 2017, the Administrators declared and paid a fourth and final distribution of £158.3k, equivalent to 0.015p in the £.

The Administrators have now made four distributions to LBUKH's sole subordinated creditor in respect of its admitted claim of £1.05bn, equivalent to 10.592p in the £.

Surplus funds after final costs on completion of the Administration (if any) will be distributed to Delaware.

Final report

The Administrators' final progress report will be sent to creditors on the conclusion of the Administration.

Signed



GE Bruce
Joint Administrator
Lehman Brothers UK Holdings Limited

AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr were appointed as Joint Administrators of Lehman Brothers UK Holdings Limited to manage its affairs, business and property as agents without personal liability. AV Lomas, SA Pearson, DA Howell, GE Bruce and JG Parr are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

*The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at:
<https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>*

The Joint Administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Administration.

Section 2 Joint Administrators' actions to date

Background

When the Administrators were appointed, LBUKH was the holding company for Lehman Brothers Holdings plc ("LBH") and Lehman Brothers (PTG) Limited, both of which are in Administration. The Company principally acted to manage the flow of investment funds between these subsidiaries.

The book value of debtors at the date of Administration was \$45m.

Administrators' actions to date

Inter-company debtors

Creditors will recall that in October 2011, the Administrators entered into a settlement agreement with Lehman Brothers Holdings Inc. ("LBHI"), in conjunction with other UK affiliates and certain other affiliates previously subject to Chapter 11 proceedings in the USA. Under this agreement, LBUKH's guarantee claim against LBHI was agreed at \$608.9m and its direct claim was agreed at \$10.6k. Dividends received from LBHI total \$185.4m.

Distributions received from other debtors total £1.3m.

As stated previously, the Administrators assigned LBUKH's receivables to its sole remaining creditor as part of the third interim dividend. Accordingly, no dividends were received by LBUKH in the reporting period and any future dividends from LBUKH's debtors will be paid directly to Delaware.

Distributions to the subordinated creditor

As previously reported, in late June 2015, LBUKH and LBLIS submitted a joint application seeking directions from the Court to establish how LBUKH should proceed to distribute to its subordinated creditor in light of the various loan agreements between LBUKH and LBLIS.

As outlined in previous reports, the Court's ruling on 13 January 2016 allowed for funds to be distributed to the Company's sole subordinated creditor. In total, LBUKH has made four distributions in respect of the admitted subordinated claim against the Company, with a cash value equivalent to £113.4m,

as well as a distribution in specie of the Company's receivables.

Investigations and actions

Nothing has come to the Administrators' attention during the reporting period to suggest that any further work is required in accordance with their duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.

Closure strategy

Exit route

The Administrators are now proceeding to bring the Administration to a close and are in the process of finalising outstanding costs. As set out in the Administrators' proposals and approved by creditors on 3 December 2008, once all work has been completed, the Administrators will file notice of move from administration to dissolution with the Registrar of Companies. The Company will be dissolved three months after the notice has been registered.

Tax clearance

The Administrators have brought all LBUKH's corporate tax returns up to date. Final tax clearance has now been obtained, HM Revenue & Customs ("HMRC") having confirmed that it has no objection to the Administration ending and the Company being dissolved.

Discharge

On 16 December 2016, the High Court of Justice granted the Administrators' application for each of the Administrators presently in office to be discharged from liability pursuant to Paragraph 98(1) of Schedule B1 to the Insolvency Act 1986 ("IA86") in respect of any action of theirs 14 days after they cease to act.

Section 3 Statutory and other Information

Court details for the Administration: High Court of Justice, Chancery Division, Companies Court - case 8445 of 2008

Full name: Lehman Brothers UK Holdings Limited

Trading name: Lehman Brothers UK Holdings Limited

Registered number: 02074637

Registered address: 7 More London Riverside, London, SE1 2RT

Date of the Administration appointment: 29 September 2008

Current Administrators' names and addresses: Anthony Lomas, Steven Pearson, Derek Howell, Gillian Bruce and Guy Parr of PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT.

Appointer's / applicant's name and address: The original appointment of Administrators was made by the directors of the Company, 7 More London Riverside, London, SE1 2RT

Objective being pursued by the Administrators: Achieving a better result for LBUKH's creditors as a whole than would be likely if LBUKH were wound up (without first being in Administration)

Division of the Administrators' responsibilities: In relation to paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, any act required or authorised under any enactment to be done by any or all of the Joint Administrators may be done by any one or more of the persons for the time being holding that office.

Details of any extensions of the initial period of appointment: The High Court of Justice has granted five successive extensions to the Administration period to: 30 November 2010; 30 November 2011; 30 November 2013; 30 November 2015; and 30 November 2017.

Section 4 Financial Information

Receipts and payments account

An account of the receipts and payments for the six months to 28 March 2017, and a cumulative total since commencement of the Administration, is set out in Section 5.

Net receipts as at 28 March 2017 equated to £212.9k.

Administrators' remuneration

In June 2013, approval was obtained from LBUKH's creditors for the Administrators' remuneration to be fixed by reference to the time properly given by them and the various grades of their staff. The creditors also resolved that the Administrators may draw their time costs on account from time to time.

To date, the Administrators have drawn remuneration of £1,150,595 plus VAT in respect of time costs incurred from the date of their appointment to 30 November 2016.

Section 6 shows a summary of the Administrators' time costs for the period 1 September 2016 to 28 February 2017 and a narrative of the work performed. Time costs for this period total £98,290 plus VAT, comprising 287.41 hours at an average hourly rate of £342.

During the reporting period, remuneration of £115,493 plus VAT was drawn in relation to time costs incurred between 1 September and 30 November 2016.

Statement of Insolvency Practice 9 ("SIP9")

SIP9 sets the disclosure standards required of an insolvency office holder in respect of fees, expenses and payments to associates. SIP9 was revised with effect from 1 December 2015 and applies to all open insolvencies.

The Administrators received written confirmation that LBLIS did not require the Administrators to provide the additional information stipulated in the revisions to SIP9. Accordingly, the Administrators have prepared this report on this basis.

Disbursements

The Administrators are not required to seek approval to draw expenses or disbursements unless they are for shared or allocated services provided by our own firm, including room hire, document storage, photocopying, and communication

facilities. These types of expenses are called "Category 2" disbursements and they must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves our fees.

Category 1 disbursements comprise payments to third parties, for example in relation to travel costs and insolvency office holders' insurance.

The Administrators' expenses policy allows for all properly incurred expenses to be recharged to the Administration.

The Administrators have incurred Category 1 disbursements of £3 in the reporting period. These have not yet been paid.

No Category 2 disbursements were incurred or paid during the reporting period.

Creditors' rights

Creditors have the right to challenge the Administrators' remuneration or other expenses if they think that they are excessive. An explanatory note giving creditors a statement of their rights in relation to the Administrators' remuneration and expenses, and their rights to request further information, can be found online at:

<http://www.icaew.com/~media/corporate/files/technical/insolvency/creditors%20guides/a%20creditors%20guide%20to%20administrators%20fees%20010407.ashx>

Creditors can request a paper copy of the above guide, free of charge, by contacting Lehman.affiliates@uk.pwc.com.

Section 5 Receipts and Payments Account

	GBP			USD		
	28-Mar-17	Movements in Period	28-Sep-16	28-Mar-17	Movements in Period	28-Sep-16
Receipts						
Dividends from LBHI	-	-	-	185,313,703	-	185,313,703
Dividends from LBH Plc	1,188,503	-	1,188,503	-	-	-
Intercompany debtors	112,117	-	112,117	-	-	-
Book debts	10,753	-	10,753	-	-	-
Recharge of tax function costs	32,886	-	32,886	-	-	-
Corporation Tax Refunds	91,405	-	91,405	-	-	-
Investments & shares	1	-	1	-	-	-
Third Party Funds (Note 1)	300	-	300	-	-	-
Interest	885,627	-	885,627	80	-	80
Total Receipts	2,321,592	-	2,321,592	185,313,783	-	185,313,783
Payments						
Legal fees	185,067	29,671	155,396	-	-	-
Joint Administrators' remuneration	1,150,595	115,493	1,035,102	-	-	-
Joint Administrators' category 1 disbursements	1,618	-	1,618	-	-	-
Joint Administrators' category 2 disbursements	20,000	-	20,000	-	-	-
Pension related legal costs	603,959	-	603,959	-	-	-
Corporation tax	85,000	-	85,000	-	-	-
Payment for tax losses	9,944	-	9,944	-	-	-
Employee costs (Note 2)	39,191	13,248	25,943	-	-	-
Bank charges	8	-	8	512	-	512
IT costs	5,741	-	5,741	-	-	-
Statutory Advertising	49,531	11,008	38,523	-	-	-
Settlement of late claiming creditor	70,000	-	70,000	-	-	-
Irrecoverable VAT (Note 3)	265,206	31,202	234,004	-	-	-
Total Payments	2,485,860	200,622	2,285,238	512	-	512
Intracompany Transfers						
Payment	-	-	-	(177,177,976)	-	(177,177,976)
Receipt	111,393,112	-	111,393,112	-	-	-
Total receipts less total payments	111,228,844	(200,622)	111,429,466	8,135,295	-	8,135,295
Distributions						
First distribution to ordinary unsecured creditors on 4 September 2014 (equivalent to 100p in the £)	5,500,000	-	5,500,000	-	-	-
First distribution to subordinated creditors on 17 February 2015 (equivalent to 0.0047p in the £)	50,000	-	50,000	-	-	-
Second distribution to subordinated creditors on 11 April 2016 (equivalent to 7.7183p in the £)	78,980,716	-	78,980,716	3,266,346	-	3,266,346
Third distribution to subordinated creditors on 25 July 2016 (equivalent to 2.8546p in the £)	26,326,905	-	26,326,905	4,868,949	-	4,868,949
Fourth distribution to subordinated creditors on 8 February 2017 (equivalent to 0.015p in the £)	158,332	158,332	-	-	-	-
Total	212,891	(358,954)	571,845	-	-	-
Cash Balances						
HSBC	212,891	(358,954)	571,845	-	-	-
Money market deposits (Note 4)	-	-	-	-	-	-
Total Cash/Movements	212,891	(358,954)	571,845	-	-	-

Notes:

- (1) A nominal distribution in favour of LBLIS was subsequently distributed to Delaware following the assignment of LBLIS's claim to Delaware.
- (2) Payments relate to services provided by LBIE and LB SF Warehouse Limited, benefiting creditors through cost savings from the centralisation of services.
- (3) Due to the nature of the Company's former business, it is not entitled to recover input VAT on its costs.
- (4) Funds were invested on the money markets in order to accrue interest and to manage risk.
- (5) All of the Company's assets are uncharged, there being no secured creditors.
- (6) The estimated to realise values of assets shown in the directors' statement of affairs do not represent a meaningful comparison with the current position and are therefore excluded.

Section 6 Joint Administrators' time costs for the period 1 September 2016 to 28 February 2017

Classification of work	Partner/Director		Senior Manager/Manager		Senior Associate		Associate/Support Staff		Total	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£
Accounting and Treasury	1.30	1,024	8.85	3,942	2.80	824	20.00	4,720	32.95	10,510
Strategy and Planning	6.25	4,925	15.60	7,188	12.90	3,766	18.40	4,342	53.15	20,221
Creditors	0.80	630	2.70	1,199	15.25	4,133	11.35	2,679	30.10	8,641
Statutory and Compliance	11.80	9,298	32.30	14,690	24.11	7,949	88.15	20,803	156.36	52,740
Tax and VAT	-	-	7.10	4,184	6.70	1,785	1.05	209	14.85	6,178
Total for the period 1 September 2016 to 28 February 2017	20.15	15,877	66.55	31,203	61.76	18,457	138.95	32,753	287.41	98,290
Average hourly rate for the six month period to 28 February 2017										342

Current charge out rates	Business Recovery Services	Specialist
	Max £/hr	Max £/hr
Grade	From 1 July 2015	From 1 July 2015
Partner	899	1,262
Director	788	1,108
Senior Manager	527	932
Manager	444	680
Senior Associate	371	505
Associate/Support Staff	236	235

The Administrators' remuneration has been fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration. The minimum unit for time charged by the Administrators and their staff is 0.05 of an hour.

Specialist departments within PricewaterhouseCoopers LLP, such as Tax, VAT and Pensions, do sometimes charge a small number of hours, should we require their expert advice. Their rates do vary, however, the figures shown give an indication of the maximum rate per hour.

Per the agreement with Lehman Brothers International (Europe) ("LBIE")'s creditors' committee, the LBIE charge-out rates were held unchanged from 1 July 2012 to 30 June 2015. An increase of 3% in charge-out rates is effective from 1 July 2015 to 30 June 2017, and in line with other Group affiliates controlled by PricewaterhouseCoopers LLP's office holders, this approach is also used for LBUKH.

Narrative of the Joint Administrators' time costs for the period 1 September 2016 to 28 February 2017

Accounting and Treasury - £10,510

- Provision of information for the purposes of statutory reporting;
- Operation and reconciliation of bank accounts, including receipts, payments and all related accounting entries; and
- Settling costs, including, but not limited to, legal fees.

Strategy and Planning - £20,221

- Considering various strategies to achieve closure;
- Review of the strategy for the Administration in relation to various matters, regular team meetings to discuss case progression;
- Review and maintenance of financial information including updating the estimated outcome statement;
- Preparation for the fourth and final dividend to the subordinated creditor; and
- Liaison with specialist teams.

Creditors - £8,641

- Liaison with LBLIS and Delaware in relation to a range of issues, including assignment of the subordinated claim;
- Preparing and arranging statutory advertising; and
- Preparing and making a fourth and final distribution to the subordinated creditor.

Statutory and Compliance - £52,740

- Liaising with legal representatives regarding the court application for discharge from liability, including reviewing the draft application and supporting witness statement;
- Preparation of the Administrators' 16th progress report;
- Circulating progress report to creditors;
- Statutory filings at Companies House and the Court;
- Preparation of receipts and payments account for reports to creditors;
- Preparing detailed remuneration summary;
- Preparation of Administrators' time costs for billing purposes;
- Undertaking a six monthly case review;
- Managing information available on website; and
- Maintaining case files and the LBUKH database.

Tax and VAT - £6,178

- Dealing with tax and VAT queries; and
- Preparation and submission of VAT returns.

Relationships

The Administrators have no business or personal relationships with the parties who approve their fees or who provide services to the Administration where the relationship could give rise to a conflict of interest.

Details of subcontracted work

No work was subcontracted out during the reporting period.

Legal and other professional firms

The Administrators have instructed the following professionals on this case. The selection of individual legal firms is determined by the jurisdiction and nature of the advice being sought, and whether a conflict exists.

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services:	<i>Linklaters LLP</i>	<i>Prior/Industry knowledge</i>	<i>Time costs</i>
	<i>Dentons UKMEA LLP</i>	<i>Industry knowledge</i>	<i>Time costs</i>

All invoices from professional firms are supported by a narrative and reviewed before being approved for payment. The Administrators are satisfied that the level of legal and professional costs are appropriate.